

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

March 28, 2002

IN RE:

BELLSOUTH TELECOMMUNICATIONS, INC.
2000 ANNUAL PRICE REGULATION FILING

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DOCKET NO.
01-00623

ORDER DIRECTING BELLSOUTH TO AMEND PRICE REGULATION FILING

This matter came before the Tennessee Regulatory Authority (the "Authority") at the regularly scheduled Authority Conference held on December 4, 2001 for consideration of BellSouth Telecommunications, Inc.'s ("BellSouth") 2000 Annual Price Regulation (or "price cap") Filing (the "Filing").

BellSouth's Filing

On July 13, 2001, BellSouth submitted its 2000 Filing for approval by the Authority. This Filing represents BellSouth's calculations of its 2000 Price Regulation Index ("PRI") and Service Price Index ("SPI") pursuant to Tenn. Code Ann. § 65-5-209, BellSouth's price regulation plan, and the price cap methodology approved by the Authority.¹ BellSouth's Filing

¹ In its *Order Approving BellSouth Telecommunications, Inc.'s Application for Price Regulation Plan*, Docket No. 95-02614 (December 9, 1998), the Authority approved BellSouth's entry into price regulation with an effective date of October 1, 1995. The Authority also approved BellSouth's price regulation plan and ordered that BellSouth's plan be subject to the price regulation methodology stipulated to in *In Re: United Telephone Southeast Inc. Tariff No. 96-201 to Reflect Annual Price Cap Adjustment*, Docket No. 96-01423.

In Authority Docket No. 96-01423, at the Authority's request, United Telephone-Southeast, Inc. ("UTSE") and the Consumer Advocate and Protection Division of the Office of the Attorney General (the "Consumer Advocate") filed a joint stipulation on January 27, 1997 in which they agreed to a methodology and formula for use in calculating the amount of any price increases by UTSE under its price regulation plan. The stipulation was signed by representatives of the Consumer Advocate and UTSE as well as Citizens Telecommunications of Tennessee, Inc., BellSouth, and AT&T of the South Central States, Inc. In its Final Order in Docket No. 96-01423, entered on September 4, 1997, the Authority approved the joint stipulation.

classifies Basic Rate Integrated Services Digital Network ("ISDN") service as a basic local exchange telephone service, rather than as a non-basic service; therefore, the Filing is not in accordance with the Court of Appeals' decision in *United Telephone-Southeast, Inc. v. Tennessee Regulatory Authority*, issued on March 20, 2001.² In addition, BellSouth's Filing does not incorporate the permanent rates ordered by the Authority in its "Payphone Docket," Docket No. 97-00409, for its base year prices for payphone service elements.

Since the approval of BellSouth's last price regulation filing, the Tennessee Court of Appeals has ruled that ISDN is a non-basic service under Tenn. Code Ann. § 65-5-208.³ In its Payphone Docket, the Authority conducted an evidentiary hearing to determine the cost of payphone service for the purpose of removing the subsidies flowing from local services, pursuant to Section 276 of the Federal Telecommunications Act of 1996, 47 U.S.C. § 276.⁴ The Authority determined that the payphone access line rate should include blocking and screening features. Accordingly, the Authority effectively reduced the payphone blocking and screening feature rate, which ranged from \$2.00 to \$4.00, to zero by including these features in the payphone access line rate.⁵ The access line rate is considered a basic local exchange telephone service, as defined in Tenn. Code Ann. § 65-5-208(a).⁶ The blocking and screening features, however, are properly categorized as non-basic services.

² *United Telephone-Southeast, Inc. v. Tennessee Regulatory Authority*, No. M1999-02801-COA-R12-CV, 2001 WL 266051 (Tenn. Ct. App. Mar. 20, 2001).

³ *See id.*

⁴ In Re: All Telephone Companies Filing Regarding Reclassification of Pay Telephone Services as Required by FCC Docket 96-128, Authority Docket No. 97-00409. *See Interim Order*, Docket No. 97-00409 (February 1, 2001).

⁵ *See Order Denying Tariff No. 01-00003 as Filed on December 29, 2000 and Revised on January 3, 2001*, Docket No. 97-00409 (February 13, 2001), p. 3.

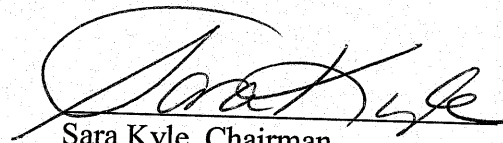
⁶ Tenn. Code Ann. § 65-5-208(a) states that "'Basic local exchange telephone services' are telecommunications services which are comprised of an access line, dial tone, touch-tone and usage provided to the premises for the provision of two-way switched voice or data transmission over voice grade facilities of residential customers or business customers within a local calling area . . ."

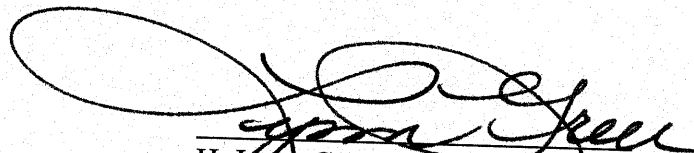
Findings and Conclusions

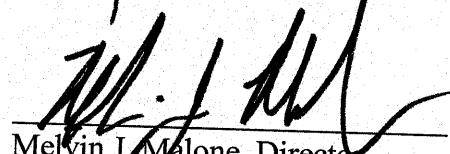
After careful review of the record in this matter, the Authority finds and concludes that BellSouth shall amend its 2000 Annual Price Regulation Filing to reflect the decision of the Court of Appeals classifying Basic Rate ISDN as a non-basic service and to restate the base year prices for payphone services as the permanent rates adopted in Authority Docket No. 97-00409.

IT IS THEREFORE ORDERED THAT:


BellSouth's shall amend its 2000 Annual Price Regulation Filing to reflect the decision of the Court of Appeals classifying Basic Rate ISDN as a non-basic service and to restate the base year prices for payphone services as the permanent rates adopted in Authority Docket No. 97-00409.


Sara Kyle, Chairman


H. Lynn Greer, Jr., Director


Melvin J. Malone, Director

ATTEST:


K. David Waddell, Executive Secretary